

Management Discussion and Analysis



1. Analysis of performance results for 2010 as compared to 2009

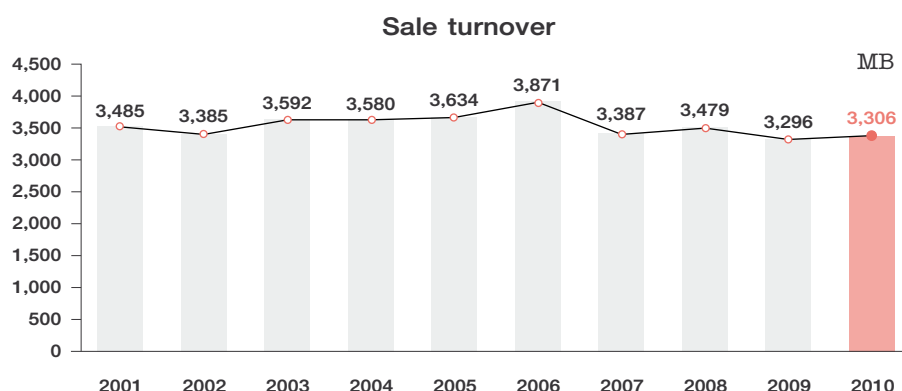
Overall performances for the past year

Based upon the consolidated financial statements of Thai Wacoal Public Company Limited for 2010, the management concluded that its financial standings and performances could still be regarded as favorable considering the prevailing adverse economic situation, well reflecting its sound financial standings and consistent growth in its total assets. For the entire 2010, the company's sales turnover rose by 0.30%, while its net profits and total assets increased by 0.35% and 6.43% respectively.

Major factors contributing to above results could be largely summarized as follows:

Sales turnover

For 2010, the company could achieve total sales of Baht 3,305.81 million, representing a 0.30% or Baht 9.73 million increase from Baht 3,296.08 million recorded a year earlier. Such improvement was due to a 10.51% growth in export sales, while domestic sales declined 3.18%. The increase in export sales was largely due to the increase in orders from Japan and the U.S.



Other income

For 2010, the company posted other income of Baht 209.93 million, representing a 92.33% or Baht 100.78 million increase over the year earlier, largely due to profits generated from its land sales and compensation for buildings and fixtures removal together with other assets, for total Baht 103.45 million. Furthermore, other sources contributing to its other income were interest income of Baht 46.17 million, and rental income of Baht 20.59 million.

Cost of sales

For 2010, the company's cost of sales stood at 75.51% of total sales turnover, as compared to 74.11% recorded in earlier 2009, representing a 2.19% increase from the year earlier. Such change was caused by the stronger Baht in 2010, leading to lower export sales revenue when converted from foreign currencies into Baht currency, which when taking mostly the same product costs into account, resulting in higher cost of sales during the year.

Selling expenses

For 2010, the company posted selling expenses of Baht 58.32 million, representing a 24.30% or Baht 11.40 million increase over Baht 46.92 million recorded a year earlier, partly due to increasing advertising and PR expenses on the occasion of its 40 years celebration and the launch of the special Princess Collection to mark the occasion.

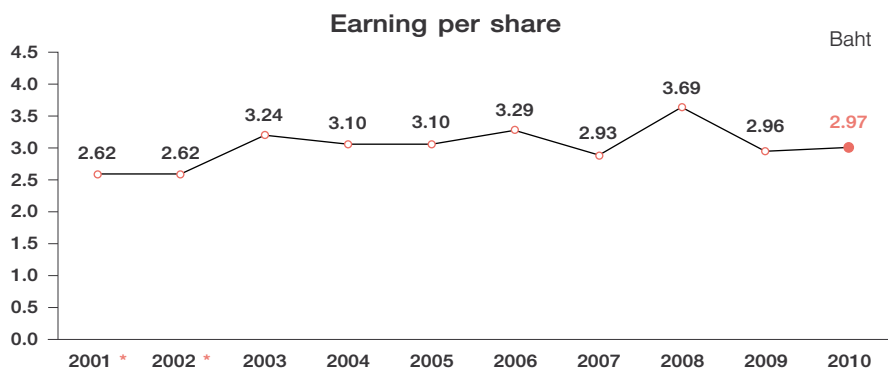
Administrative expenses

For 2010, the company posted administrative expenses of 15.16% of sales turnover, as compared to 13.93% recorded a year earlier, representing an increase of 1.23%, as the result of an increase in the provisioning for loss from goods returned of Baht 20 million, together with an increase in the loss on devaluation of inventory according to lower cost or lower market value of Baht 4.99 million compared to the previous year respectively.

Net profits

For 2010, the company registered net profits of Baht 356.46 million, as compared to Baht 355.23 million recorded a year earlier, representing an increase of 0.35%, or mostly remaining in the same level as the year earlier, whereas earnings per share stood at Baht 2.97, return on total revenue at 10.01%, return on equity at 7.26%, and return on assets at 6.54% respectively.

The company's profit quality could be considered favorable, with the company posting cash flow from operating activities of Baht 308.54 million, due to sales income and payment collections mostly achieved according to due dates.

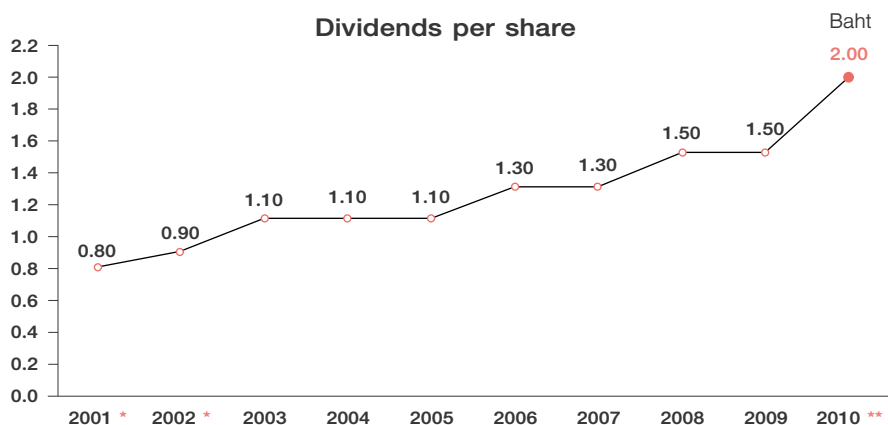


Remark * According to the change of par value from Baht 10 to Baht 1 in 2003, the per share ratios in the year 2001 - 2002 have been adjusted for comparison purpose.

Dividend payments to the shareholders

The company has continuously adopted dividend payments policy at the rate of Baht 0.25 per share so far, while also taking into consideration the company's performance results and the prevailing economic situation. The company has continuously paid out dividend payments to the shareholders for 37 consecutive years from 1974 until the present.

For 2010, the company could achieve total net profits of Baht 356.46 million and earnings per share of Baht 2.97. Accordingly, The Board of Directors resolved at its meeting no.6 /2010 on March 8, 2011, to propose to the shareholders' general meeting to approve dividend payments for 2010 at the rate of Baht 2 per share, an increase of Baht 0.50 per share compared to the year earlier, for total amount of Baht 240 million, and representing the payout ratio of 67.33%. The dividend payments date has been set for May 23, 2011.



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** The Board of Directors resolved to set dividend payment rate at Baht 2 per share, for further proposal to the shareholders' general meeting for approval, on April 25, 2011.

2. Financial Standings

At end-2010, the company posted total assets of Baht 5,619.46 million, representing a 6.43% or Baht 339.59 million increase over the year earlier, as the result of the decline in current assets of Baht 16.95 million, and the increase in non-current assets of Baht 356.54 million respectively. The company posted the ratio of each asset item as compared to total assets as follows : cash and cash equivalents of 9.39%, current investments of 14.89%, trade account receivables of 9.25%, inventories of 13.05%, long-term investments of 36.65%, and property, plant, equipments-net of 13.49%, and other items 3.28% respectively.

Current assets

At end-2010, the company posted total current assets of Baht 2,757.20 million, representing a Baht 16.95 million decline from a year earlier, largely due to the transfer of outstanding cash from short-term investments to long-term investments portfolio.

Non-current assets

The company posted higher non-current assets value by Baht 356.54 million compared to the year earlier, as the result of its allocation of cash profits to invest in debt securities and debentures for maximum returns, displayed as other long-term investments.

Cash and cash equivalents

At end-2010, the company recorded total cash and cash equivalents of Baht 527.88 million, compared to Baht 233.21 million recorded a year earlier, partly as short-term deposits less than 3-month term, to be further applied as long-term investments in debt securities or debentures yielding better returns.

Trade Account receivables

At end-2010, the company posted total trade account receivables of Baht 520.01 million, representing a 66.98 million increase from a year earlier, which could be classified as follows: undue account receivables of Baht 500.50 million, representing 96.25% of total account receivables, less than 3 months' overdue account receivables of Baht 12.79 million, representing 2.46% of total account receivables, largely due to the customers having different payment periods from the company, and beyond 3 month's overdue account receivables of Baht 6.72 million, representing 1.29% of total trade account receivables respectively.

Short-term loans

At end-2010, the company posted total short-term loans of Baht 101.80 million, representing a Baht 42.80 million decline from the year earlier, as the result of the company having partly received loan repayments included in cash and cash equivalents under the current assets category.

Inventories

At end-2010, the company posted total inventories of Baht 733.10 million, representing a Baht 27.78 million decline from the year earlier. Said improvement could be attributed to the company's more effective management practices better maintaining levels of inventories for raw materials, work-in-process, and finished products, at the optimum levels.

Property, plant and equipments

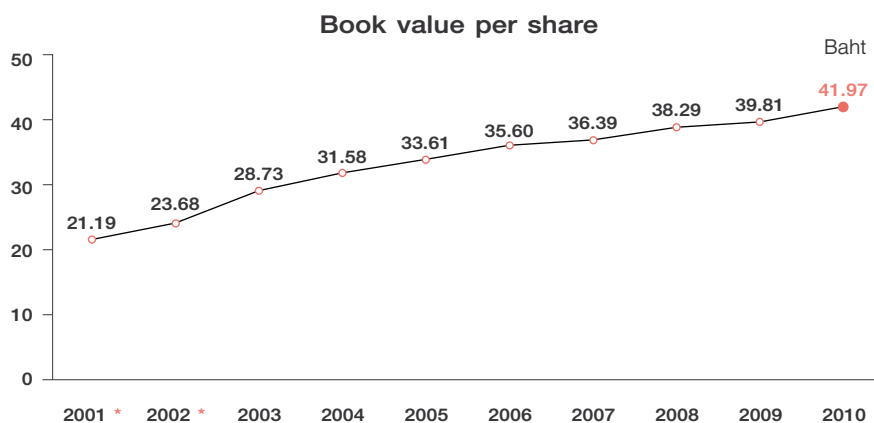
At end-2010, the company posted outstanding property, plant and equipments-net amounting to total value of Baht 758.04 million, representing a Baht 27.85 million decline from the year earlier. Such results were due to depreciation realization of Baht 73.22 million, building extension for use as working area, the purchase of equipments, computers, and others of Baht 55.22 million, and the selling of property, plant, and equipments of total Baht 4.52 million respectively, as well as the transfer of assets for further selling purpose of Baht 5.33 million.

Total Liabilities

At end-2010, the company posted total liabilities of Baht 582.96 million, representing a 16% or Baht 80.42 million increase from the year earlier, due to the increase in trade account payables and other current liabilities.

Shareholders' Equity

At end-2010, the company recorded total shareholders' equity of Baht 5,036.50 million, representing a 5.42% or Baht 259.16 million increase from the year earlier. Such results were due to the achievement of net profits of Baht 356.50 million, the increase in unrealized gain on the change in value of available-for-sale securities of Baht 82.72 million, and its dividend payments to the shareholders for 2009 for total amount Baht 180 million, altogether resulting in the company eventually posting book value at end 2010 of Baht 41.97 per share, representing a Baht 2.16 gain over the previous Baht 39.81 recorded a year earlier.



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3. Quality of assets

Long-term investments

The company registered long-term investments total of Baht 2,059.36 million, as compared to Baht 1,586.13 million recorded a year earlier, representing an increase of Baht 473.23 million, largely due to the increase in investment in debt securities and debentures. Long-term investments could be classified into investment in related companies of Baht 912.10 million, investment in other companies of Baht 415.40 million, and investment in debt securities and debentures of Baht 731.86 million respectively.

The company followed accounting standard no.40 pertaining to the accounting for investment in debt and equity securities, which posted unrealized gain for the change in shareholders' equity of Baht 632.34 million, representing a Baht 82.72 million increase from the year earlier, as the result of the changes in securities value in accordance with the company's performance results and the prevailing economic situations. Such investments represented sound assets quality, supported by favorable dividend returns higher than normal fixed deposit rates.

Furthermore, the company also followed accounting practices set forth in the accounting standard no.36 regarding the impairment of assets for the investment in companies not being listed on the SET. Due to higher book value for its business investments earlier, an impairment of investment of Baht 5.43 million in 2010 was re-entered, whereas said investment still posted overall book value higher than the company's investment cost, while its dividend yield was also higher than fixed deposit rate benefits.

Property, plant and equipments

The company possessed property, plant and equipments having market value higher than the value presented in the financial statements which displayed cost less accumulated depreciation. As for equipments, most were modern equipments with good production efficiency procured as replacement for older ones, and received proper maintenance regularly.

4. Liquidity status

Cash flow

For 2010, the company recorded net cash and cash equivalents of Baht 527.88 million, representing a Baht 294.67 million increase from the year earlier, as the result of the company's cash management policy seeking to ensure sufficient working capital for company operations.

The company posted net cash generated by operating activities of Baht 308.54 million due to the profits generated by company operations.

The company posted net cash used in investment activities of Baht 166.24 million, largely classified into sales receivables, property, plant and equipments of Baht 107.83 million, and dividend received of Baht 45.50 million respectively.

The company utilized Baht 180.05 million in net cash for financial activities during the past year, as dividend payments to the shareholders.

Liquidity adequacy

The company enjoyed continuous favorable performances and sound liquidity standing so far, as reflected in its current ratio of 4.73 recorded in 2010 compared to 5.52 a year earlier, whereas its quick ratio in 2010 stood at 3.23 compared to 3.66 recorded a year earlier. The company posted cash and cash equivalents well sufficient to carry out dividend payments and future investments. Furthermore, its liabilities were caused by such business activities as trade account payables and accrued expenses, resulting in its low debt to equity ratio of 0.12 for 2010 and 0.11 for 2009 respectively, well reflecting sound and sufficient adequacy of the company's liquidity.

Funding source

The funding source for the company's operations and investments came from its capital and accumulated profits, without any debts carrying interest burdens. The company's liabilities as shown in the financial statements mostly were trade account payables and accrued expenses. According to the financial statements at end 2010, the company posted total liabilities of Baht 582.96 million and shareholders' equity of Baht 5,036.50 million respectively.

5. Financial ratios compared between 2010, 2009, and 2008

	Unit	2010	2009	2008
Liquidity Ratio				
1. Current Ratio	times	4.73	5.52	5.38
2. Quick Ratio	times	3.23	3.66	3.21
3. Liquidity of Cash Flow from Operations	times	0.57	0.89	0.67
4. Receivable Turnover	times	6.79	6.90	6.75
5. Collection Period	day	53.02	52.17	53.33
6. Inventory Turnover	times	5.65	5.29	5.44
7. Inventory Turnover Period	day	63.72	68.05	66.18
8. Account Payable Turnover	times	9.32	8.83	8.24
9. Payment Period	day	38.63	40.77	43.69
10. Cash Cycle	day	78.11	79.46	75.82
Profitability Ratio				
1. Gross Profit Margin	%	24.49	25.89	26.65
2. Return on Total Revenues	%	10.01	10.29	11.93
3. Return on Equity	%	7.26	7.58	9.88
Efficiency Ratio				
1. Return on Assets	%	6.54	6.80	8.76
2. Assets Turnover	times	0.65	0.66	0.73
Financial Policy Ratio				
1. Debt to Equity Ratio	times	0.12	0.11	0.13
2. Interest Coverage Ratio	times	5,493,663.40	17,046,327.55	3,139,786.42
3. Payout Ratio	%	67.33	50.67	40.68